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**AKAITCHO
YELLOWKNIFE
GOLD MINES LIMITED**

**ANNUAL REPORT
1976**

Head Office

P.O. Box 40
Commerce Court West
Toronto, Ontario
M5L 1B4

Mine Office

Yellowknife, N.W.T.

Officers

J. R. SMITH
President

J. M. MORTIMER
Vice-President

W. R. ROBERTSON
Secretary

N. H. WITHERELL
Treasurer

J. F. GILLIES
Controller

Directors

* D. R. DERRY

* A. G. FULTON

L. C. KILBURN

* J. M. MORTIMER

J. R. SMITH

* Members of the Audit Committee

*Transfer Agents
and Registrars*

NATIONAL TRUST
COMPANY LIMITED
Toronto

Listed

TORONTO STOCK EXCHANGE

Auditors

THORNE RIDDELL & Co.
Toronto

*Annual Meeting
of Shareholders*

March 16, 1977
11:00 a.m.
(Toronto Time)
Elizabeth Room,
King Edward Sheraton Hotel,
Toronto, Ontario

AKAITCHO YELLOWKNIFE GOLD MINES LIMITED

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

The Supercrest Mine, in which your Corporation maintains a 49.99 per cent interest, is operated by Giant Yellowknife Mines Limited in conjunction with its own operations.

Pertinent production and financial information of Supercrest Mines Limited operations, is set forth below:

SUPERCREST MINES LIMITED

PRODUCTION SUMMARY

	<u>1976</u>	<u>1975</u>
Ore milled, tons	28,547	31,870
Calculated mill heads, oz. gold per ton	0.476	0.463
Recovery, per cent	88.21	87.79
Recovery — Gold, ounces	11,984	12,921
Silver, ounces	2,828	2,828
Average price received per oz. of gold	\$122.11	\$161.52
Net revenue per ton	\$51.09	\$65.39
Operating cost per ton before write-offs	\$42.93	\$40.71

FINANCIAL SUMMARY

Income

	<u>1976</u>	<u>1975</u>
Net value of production	\$1,458,366	\$2,083,832
Operating costs	1,225,638	1,297,515
Interest earned	57,343	46,172
Income Taxes	100,000	329,000
Net Income	<u>\$ 190,071</u>	<u>\$ 503,489</u>

Condensed Balance Sheet

Current assets	\$ 848,499	\$ 899,172
Fixed assets	2	2
	<u>\$ 848,501</u>	<u>\$ 899,174</u>
Current liabilities	\$ 153,786	\$ 62,025
Common shares, 665,010 shares issued	665,010	665,010
Retained earnings	29,705	172,139
	<u>\$ 848,501</u>	<u>\$ 899,174</u>

	<u>1976</u>	<u>1975</u>
Working Capital Position		
Working capital derived from:		
Operations	\$ 190,071	\$ 503,489
Working capital applied to:		
Dividend on 665,010 common shares	332,505	665,010
Decrease in working capital	142,434	161,521
Working capital at beginning of year	837,147	998,668
Working capital at end of year	<u>\$ 694,713</u>	<u>\$ 837,147</u>

ORE POSITION

After the milling of 28,547 tons of ore during the year, fully developed ore reserves at year end are estimated to be 56,000 tons grading 0.47 ounce gold per ton. In addition there were 26,000 tons of partially developed ore at 0.43 ounce of gold per ton for a total of 82,000 tons grading 0.46 ounce of gold per ton. This compares with 125,000 tons of 0.46 ounce gold per ton as at December 31, 1975.

In calculating the ore reserves, the cut-off grade was raised from 0.25 ounce gold per ton, used last year, to 0.30 ounce gold per ton. About 7,000 tons were added to the reserves above the 1100 level by diamond drilling.

UNDERGROUND OPERATIONS

Production was obtained from eleven working places, two of which were completed during the year.

A total of 697 feet of lateral development and 494 feet of raising was done in 1976. Diamond drilling totalled 22,235 feet during the year, mostly for definition.

GENERAL

Operations were again seriously affected by a shortage of experienced miners and turnover remained high. Eleven days of production were lost due to power outages.

DIVIDENDS

Dividends aggregating 5 cents per share were paid by your Corporation during the year.

On behalf of the Board,

Toronto, Ontario,
February 3, 1977.

J. R. SMITH,
President.

AKAITCHO YELLOWKNIFE GOLD MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1976

ASSETS

CURRENT ASSETS	1976	1975
Cash	\$ 2,562	\$ 3,751
Short term securities, at cost which approximates market value	117,588	113,551
Accrued interest receivable	104	234
	<u>120,254</u>	<u>117,536</u>
INVESTMENT IN SUPERCREST MINES LIMITED (note 1)		
332,504 Common shares, at cost	2,499	2,499
Equity in undistributed earnings	346,985	418,203
	<u>349,484</u>	<u>420,702</u>
	<u>\$ 469,738</u>	<u>\$ 538,238</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	\$ 944	\$ 93

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized — 4,000,000 shares of \$1 each		
Issued — 3,266,112 shares	3,266,112	3,266,112
Deduct discount less premium on shares	2,052,652	2,052,652
	<u>1,213,460</u>	<u>1,213,460</u>
DEFICIT	744,666	675,315
	<u>468,794</u>	<u>538,145</u>
	<u>\$ 469,738</u>	<u>\$ 538,238</u>

Approved by the Board:

J. R. SMITH, Director.

D. R. DERRY, Director.

AUDITORS' REPORT

To the Shareholders of
Akaitcho Yellowknife Gold Mines Limited

We have examined the balance sheet of Akaitcho Yellowknife Gold Mines Limited as at December 31, 1976 and the statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 14, 1977

Thorne Riddell & Co.
Chartered Accountants

AKAITCHO YELLOWKNIFE GOLD MINES LIMITED

STATEMENT OF INCOME YEAR ENDED DECEMBER 31, 1976

	<u>1976</u>	<u>1975</u>
Revenue		
Interest earned	\$ 10,907	\$ 10,964
Administrative and corporate expenses		
Toronto office overhead expenses	2,399	3,600
Transfer agent's fees and expenses	3,551	5,877
Shareholders' reports and meetings	1,707	2,323
Directors' fees	2,700	2,700
Audit fees	1,500	700
Taxes and filing fees	117	2,407
Dividend expense		277
Sundry expenses	13	70
	<u>11,987</u>	<u>17,954</u>
Loss before the undernoted item	1,080	6,990
Equity in net income of Supercrest Mines Limited (dividends received — 1976, \$166,253; 1975, \$332,504) (note 1)	95,035	251,744
NET INCOME	<u>\$ 93,955</u>	<u>\$ 244,754</u>
Earnings per share	2.9¢	7.5¢

STATEMENT OF DEFICIT YEAR ENDED DECEMBER 31, 1976

	<u>1976</u>	<u>1975</u>
DEFICIT AT BEGINNING OF YEAR	\$ 675,315	\$ 593,458
Net income	93,955	244,754
	<u>581,360</u>	<u>348,704</u>
Deduct dividends paid — 5¢ per share (1975 — 10¢ per share)	163,306	326,611
DEFICIT AT END OF YEAR	<u>\$ 744,666</u>	<u>\$ 675,315</u>

AKAITCHO YELLOWKNIFE GOLD MINES LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31, 1976

WORKING CAPITAL DERIVED FROM	<u>1976</u>	<u>1975</u>
Operations		
Net income	\$ 93,955	\$ 244,754
Dividends received from Supercrest Mines Limited	166,253	332,504
Less increase in equity in Supercrest Mines Limited, which does not involve working capital	(95,035)	(251,744)
	<u>165,173</u>	<u>325,514</u>
WORKING CAPITAL APPLIED TO		
Dividends paid	163,306	326,611
INCREASE (DECREASE) IN WORKING CAPITAL	<u>1,867</u>	<u>(1,097)</u>
WORKING CAPITAL AT BEGINNING OF YEAR	<u>117,443</u>	<u>118,540</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 119,310</u>	<u>\$ 117,443</u>

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1976

1. INVESTMENT IN SUPERCREST MINES LIMITED

The company owns 332,504 common shares of Supercrest Mines Limited out of a total of 665,010 common shares issued.

It is the company's practice to carry this investment on the equity basis. Accordingly, the company's share of the net income of Supercrest Mines Limited is included in net income for the year and the investment account is carried at cost plus the accumulated equity in earnings since the commencement of production in reasonable commercial quantities on October 1, 1967 less dividends received.

2. ANTI-INFLATION ACT

The company is subject to the Anti-Inflation Act, which provides as from October 14, 1975 for the restraint of dividends. The maximum dividend that the company can pay or declare in the twelve months ended October 13, 1977 is 27¢ per share.

STATEMENT OF FINANCIAL POSITION
AT THE END OF 1970

	1970	1969
Assets		
Current Assets		
Cash	100,000	150,000
Accounts Receivable	200,000	180,000
Inventory	300,000	250,000
Prepaid Expenses	50,000	40,000
Fixed Assets		
Land	500,000	500,000
Buildings	200,000	200,000
Equipment	100,000	100,000
Accumulated Depreciation	(50,000)	(60,000)
Liabilities and Equity		
Current Liabilities		
Accounts Payable	150,000	140,000
Short-Term Debt	100,000	120,000
Long-Term Debt	200,000	200,000
Equity		
Common Stock	1,000,000	1,000,000
Retained Earnings	250,000	230,000

NOTES TO FINANCIAL STATEMENTS
1970

1. The company is a public company and its shares are listed on the Toronto Stock Exchange.

2. The company's fiscal year ends on December 31.

3. The company's principal business is the mining of gold.

4. The company's operations are carried out through its subsidiaries.

5. The company's assets are valued at fair market value.

6. The company's liabilities are valued at fair market value.

7. The company's equity is valued at fair market value.

8. The company's financial statements are prepared in accordance with the requirements of the Companies Act.

9. The company's financial statements are audited by independent accountants.

10. The company's financial statements are subject to review by the Securities Commission.